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Economic Intelligence Weekly

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Articles

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New Foreign Loans for Chile *Chile's prospects improve with the promise of more than \$600 million in foreign credits and the institution of strict measures to control domestic economic problems.*

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Comparative Indicators

Recent Data Concerning Domestic and External Economic Activity

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SECRET**ECONOMIC INTELLIGENCE WEEKLY****Notes****Arab Dollars in the United States**

Arab financial assets in the United States have increased since the outbreak of the Middle East war. Rumors of a large dollar outflow probably stem from current transfers of dollars from US banks to Europe for redeposit and conversion. These transfers reflect normal commercial activity, mainly by Saudi Arabia.

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Major US Plant Sales to China

As of 1 November, China had purchased eight ammonia plants, worth \$205 million, from the United States. These sales make this country the third largest supplier of complete factories to China this year, following Japan with sales of \$442 million and France with \$390 million.

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**Westinghouse-Soviet Bid on US Hydroelectric Project
Still Alive**

Westinghouse and Soviet officials are escorting Rock Island Dam representatives on a tour of a Leningrad turbine plant and several Soviet hydroelectric powerplants, hoping to convince the project officials that the USSR can produce and deliver quality turbines. All bids on the project, located on the Columbia River, were canceled recently, including those submitted by Westinghouse and Energomasheksport. The low price of the Soviet turbines accounted for the difference of almost 25% between the Westinghouse-Soviet bid of \$36.1 million and the next lowest bid, submitted by Allis-Chalmers. Project officials apparently are concerned with the ability and willingness of the Soviets to meet delivery dates. Bidding will be reopened today.

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Peru Extends Ban on Anchovy Fishing

Peru has extended the ban on anchovy fishing until next April and has suspended new sales of fishmeal and fish oil. Thus, world shortages of high protein animal feed and a strong demand for US soybeans will continue. No more than 30% of pre-October export commitments will be honored from Peru's already small stocks.

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Multilateral Trade Negotiations Still Stalled

France continues to rebuff attempts by other member states and the EC Commission to compromise with Washington over the treatment of agriculture in negotiations. As a result, the EC Commission will ask that the tentatively scheduled 19 November meeting of the Trade Negotiating Committee be postponed. The French have privately indicated a willingness to participate in US-EC-Japanese discussions to end the impasse but insist that the problem of agricultural trade be discussed apart from other topics. EC Commission Vice President Soames, however, is opposed to an early tripartite meeting because of deep division within the EC itself. He believes that more time is necessary to resolve intra-EC differences, and feels that, in any case, postponement of US trade legislation makes early movement less urgent.

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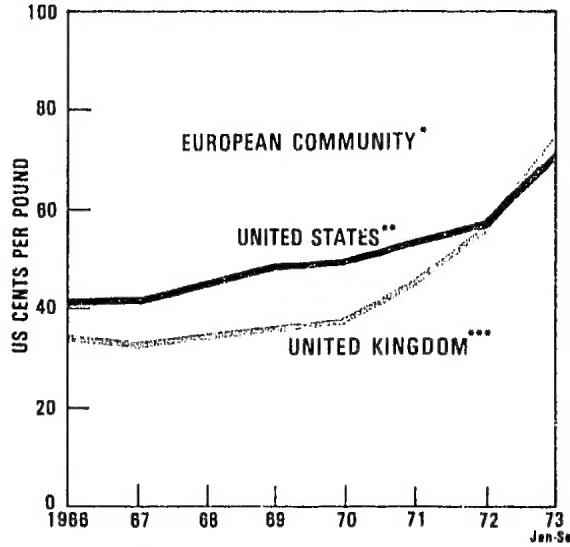
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SECRET**Articles****World Beef Outlook***

Sharply higher beef output primarily in the United States, Latin America, Australia, and New Zealand can be expected over the next few years. An unprecedented rise in beef prices has led to a large, worldwide increase in cattle herds. From 1970 through September 1973, wholesale beef prices increased nearly 100% in the United Kingdom, 60% in the EC of Six, and about 45% in the United States. US output could rise by as much as 30% during 1974-76 without cutting into herd size, and output in Australia and New Zealand could jump by 50%.

Demand for beef, buoyed by sharply rising incomes in major consuming areas, is expected to continue to grow rapidly but not as fast as production. The result should be a softening of world beef prices over the next two years. The extent of the fall in beef prices will depend largely on supplies of animal feed.

A sharp increase in US beef output would contribute to a favorable shift in the US trade balance in beef over the next few years. European protectionist policies will hinder US exports in that area, but shipments of high-grade beef to Japan should increase rapidly.

**WHOLESALE BEEF PRICES
IN IMPORTING COUNTRIES**


*Choice bullocks and heifers of Belgium, Netherlands, West Germany, Italy, and France. Weighted average based on country consumption of beef.

**Dressed choice steer beef, carcass lot basis, New York.

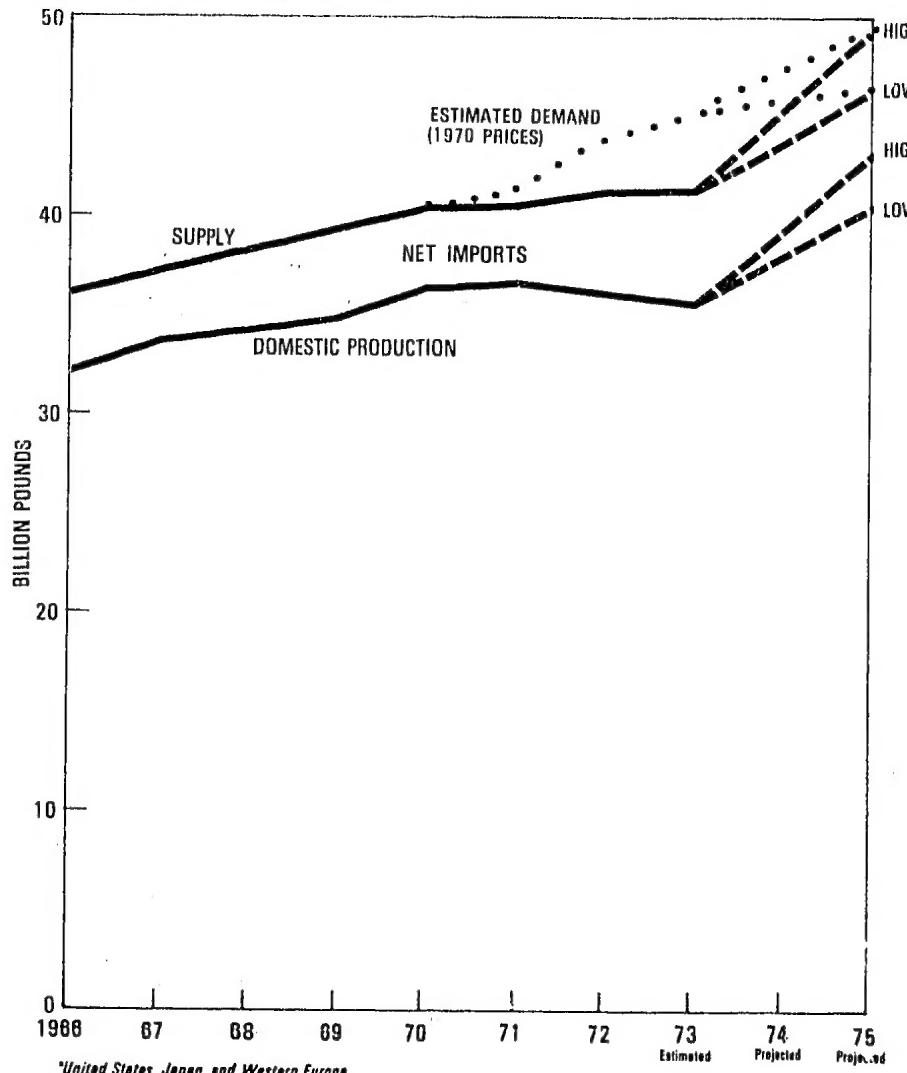
***Bullocks and heifers, Liverpool, roughly equivalent to good.

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**TOTAL BEEF DEMAND AND SUPPLY
OF MAJOR CONSUMERS*****United States, Japan, and Western Europe.*

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Increased Arab Oil Dependence Restricts EC Options

The Vice President of the EC Commission has stated that no joint policy on oil-sharing is in prospect, despite the difficulties caused by the Arab embargo against the Netherlands.

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During the Suez crisis, and to a lesser extent in 1967, Europe could count on spare crude capacity in the United States and the Caribbean to assist them. This time not only is there little or no non-Arab spare capacity, but the EC faces the prospect of competition with the United States and other nations for its non-Arab supplies. If the Arab states, which now provide some 42% of the EC's energy supply, continue their progressive cutback policy, EC supplies of Arab oil by next March probably will be at least 40% below levels planned on by the Community. Total EC oil supplies will be lowered by about 28% and total energy supplies by at least 17%. If fairly drastic conservation measures are taken and stocks are drawn down, however, most EC members will be able to get through the winter without major dislocations. After that, even though peak winter fuel demand will subside, the impact on industry will affect output, employment, and exports seriously throughout the Community.

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Sources of EC Energy

| | Percent | | |
|-----------------|----------------|-------------|-------------|
| | 1957 | 1967 | 1972 |
| Domestic | 79.0 | 48.4 | 37.2 |
| Coal | 74.6 | 38.8 | 21.0 |
| Natural gas | 1.3 | 3.2 | 10.7 |
| Crude oil | 1.8 | 2.1 | 1.3 |
| Hydro/nuclear | 1.3 | 4.3 | 4.2 |
| Imported | 21.0 | 51.6 | 62.8 |
| Coal | 0.4 | 2.7 | 2.2 |
| Crude oil | | | |
| Arab oil | 13.8 | 34.8 | 42.1 |
| Other | 6.8 | 14.1 | 18.5 |

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Energy Sources of EC Countries, 1972

| | Percent | | | | | |
|--------------------------|----------------|-----------------------|---------------------|---------------|----------------|--------------|
| | Ireland | United Kingdom | West Germany | France | Benelux | Italy |
| Domestic | 23 | 51 | 47 | 31 | 52 | 24 |
| Coal ¹ | 21 | 38 | 34 | 14 | 10 | 2 |
| Natural gas ¹ | | 9 | 8 | 7 | 40 | 12 |
| Crude oil | | Negl. | 3 | 1 | 2 | 1 |
| Hydro/nuclear | 2 | 4 | 2 | 9 | Negl. | 9 |
| Imported | 77 | 49 | 53 | 69 | 48 | 76 |
| Coal | 8 | 1 | 2 | 3 | 2 | 5 |
| Crude oil | | | | | | |
| Arab oil | 50 | 33 | 36 | 51 | 29 | 49 |
| Other | 19 | 15 | 15 | 15 | 17 | 22 |

1. Including imports from other EC members.

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Short-Term Outlook for Arab Oil Revenues

Arab oil revenues will reach a record \$4.3 billion in the first quarter of 1974, even if the proposed production cutbacks of 5% each month continue. While output during the first 3 months of 1974 will be only two-thirds that of the comparable 1973 period, revenues will be up \$1.8 billion, or some 70% greater than last year.

The several price increases during the year more than doubled government revenues per barrel in most cases. The October price increases alone will easily compensate for lost production. Arab oil revenues for 1973 are expected to increase 54%, and oil exports will average 1 million b/d more than in 1972 - a 7% increase.

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Estimated Oil Revenues of Major Arab Producers

| | Million US \$ | | | | | | | |
|----------------------|---------------|--------|-------|-------------------|-----------|---------|-------|--------|
| | Saudi Arabia | Kuwait | Qatar | Iraq ¹ | Abu Dhabi | Algeria | Libya | Total |
| 1972 | 3,107 | 1,657 | 255 | 575 | 551 | 700 | 1,598 | 8,443 |
| 1973 (est.) | 5,480 | 1,940 | 420 | 860 | 990 | 980 | 2,340 | 13,010 |
| 1973 1st qtr. | 1,030 | 420 | 90 | 180 | 200 | 180 | 430 | 2,530 |
| 1974 1st qtr. (est.) | 1,600 | 640 | 120 | 520 | 700 | 300 | 860 | 4,340 |

1. Roughly 50% of Iraq's production from national oil fields is sold under barter agreements. These estimates exclude barter sales.

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New Foreign Loans for Chile

Chile's foreign exchange position has improved dramatically as a result of new foreign borrowing. US and Canadian banks recently issued loans totaling some \$171 million and have another \$75 million under consideration. Brazil and Argentina also have promised credits of \$442 million.

With debts of \$3.8 billion and food imports alone exceeding \$700 million for this year, Chile has been seeking assistance vigorously from all quarters. While a \$90 million standby credit from the IMF is considered a good possibility, European countries continue to balk at helping the new government.

The acquisition of the new credits and recent harsh measures to curb inflation will help bring Chile's economic problems under control. Several international financial organizations will be reviewing the situation and the junta's recovery and stabilization programs during the next two months. In January the Paris Club meets to consider renegotiating Chile's external debt. Meanwhile, Santiago is attempting to speed the recovery of agriculture and copper production in an effort to improve the balance-of-payments outlook by the end of next year. [redacted]

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DOMESTIC ECONOMIC INDICATORS

GNP*

Constant Market Prices

| | Latest Quarter | Percent Change from Previous Quarter | Average Annual Growth Rate Since | | |
|----------------|----------------|--------------------------------------|----------------------------------|----------------|------------------|
| | | | 1970 | 1 Year Earlier | Previous Quarter |
| United States | 73 III | 0.9 | 5.0 | 5.7 | 3.7 |
| Japan | 73 II | 1.4 | 9.1 | 13.0 | 5.9 |
| West Germany | 73 II | -2.3 | 3.8 | 8.2 | -0.8 |
| France | 73 II | 0.7 | 8.2 | 8.7 | 2.9 |
| United Kingdom | 73 II | 0.7 | 4.8 | 9.5 | 2.7 |
| Italy | 73 I | 0.8 | 3.1 | 5.2 | 3.4 |
| Canada | 73 II | 0.9 | 8.1 | 8.8 | 3.7 |

WHOLESALE PRICES

Industrial

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since | | |
|----------------|--------------|------------------------------------|----------------------------------|----------------|------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier |
| United States | Oct 73 | 1.2 | 5.1 | 9.1 | 8.8 |
| Japan | Oct 73 | 2.0 | 8.1 | 20.3 | 26.3 |
| West Germany | Sep 73 | -0.1 | 4.7 | 0.0 | 1.0 |
| France | Aug 73 | 1.0 | 7.1 | 16.2 | 20.5 |
| United Kingdom | Sep 73 | 1.1 | 7.3 | 7.6 | 13.5 |
| Italy | Aug 73 | 1.2 | 8.4 | 19.4 | 27.2 |
| Canada | Sep 73 | -0.7 | 10.0 | 24.0 | 45.0 |

INDUSTRIAL PRODUCTION*

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since | | |
|----------------|--------------|------------------------------------|----------------------------------|----------------|--------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier** |
| United States | Sep 73 | 0.8 | 6.0 | 10.2 | 11.4 |
| Japan | Sep 73 | 0.4 | 8.9 | 18.9 | 8.8 |
| West Germany | Aug 73 | 5.9 | 4.0 | 8.5 | -5.9 |
| France | Aug 73 | 0 | 7.7 | 10.4 | 9.9 |
| United Kingdom | Aug 73 | 0.7 | 3.7 | 8.2 | 0 |
| Italy | Aug 73 | 2.0 | 3.8 | 13.5 | 25.3 |
| Canada | Aug 73 | -3.1 | 5.8 | 8.0 | 1.6 |

CONSUMER PRICES

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since | | |
|----------------|--------------|------------------------------------|----------------------------------|----------------|------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier |
| United States | Sep 73 | 0.3 | 4.9 | 7.4 | 9.7 |
| Japan | Sep 73 | 2.9 | 8.2 | 14.6 | 19.5 |
| West Germany | Sep 73 | 0.3 | 5.8 | 8.4 | 0.8 |
| France | Sep 73 | 0.9 | 8.4 | 7.9 | 9.7 |
| United Kingdom | Sep 73 | 0.9 | 8.4 | 9.3 | 8.0 |
| Italy | Aug 73 | 0.8 | 7.2 | 11.7 | 8.5 |
| Canada | Sep 73 | 0.8 | 5.5 | 8.5 | 11.7 |

RETAIL SALES*

Current Prices

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since | | |
|----------------|--------------|------------------------------------|----------------------------------|----------------|--------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier** |
| United States | Oct 73 | 2.1 | 11.5 | 10.9 | 8.7 |
| Japan | Jun 73 | 2.1 | 12.5 | 22.6 | 14.3 |
| West Germany | Aug 73 | 4.2 | 9.0 | 4.2 | 1.2 |
| France | Jun 73 | 3.4 | 6.4 | 7.2 | 5.5 |
| United Kingdom | Aug 73 | 0.7 | 11.1 | 12.1 | 14.8 |
| Italy | May 73 | 2.3 | 11.3 | 20.4 | 22.3 |
| Canada | Sep 73 | -0.3 | 10.6 | 13.8 | 5.8 |

MONEY SUPPLY*

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since | | |
|----------------|--------------|------------------------------------|----------------------------------|----------------|--------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier** |
| United States | Oct 73 | 0.4 | 7.1 | 5.0 | 1.9 |
| Japan | Aug 73 | 1.0 | 17.8 | 28.3 | 5.7 |
| West Germany | Aug 73 | -2.4 | 8.5 | 1.7 | -12.7 |
| France | Apr 73 | 2.8 | 13.3 | 14.1 | 2.8 |
| United Kingdom | Sep 73 | -2.1 | 10.8 | 8.5 | 9.9 |
| Italy | Apr 73 | 2.8 | 20.4 | 19.1 | 13.7 |
| Canada | Sep 73 | 0 | 13.5 | 14.4 | 13.0 |

MONEY-MARKET RATES

| | Representative Rates | Latest Date | Percent Rate of Interest | | |
|----------------|----------------------------|-------------|--------------------------|------------------|-----------------|
| | | | 1 Year Earlier | 3 Months Earlier | 1 Month Earlier |
| United States | Prime finance paper | 9 Nov | 7.75 | 5.13 | 8.25 |
| Japan | Call money | 2 Nov | 8.75 | 4.38 | 8.75 |
| West Germany | Interbank loans (3 Months) | 9 Nov | 14.00 | 8.12 | 14.50 |
| France | Call money | 2 Nov | 11.25 | 8.75 | 11.13 |
| United Kingdom | Local authority deposits | 9 Nov | 12.19 | 4.74 | 12.75 |
| Canada | Finance paper | 9 Nov | 9.00 | 5.25 | 7.88 |
| Euro-Dollars | Three-month deposits | 9 Nov | 9.19 | 5.75 | 11.58 |

*Seasonally adjusted.

**Average for latest 3 months compared with average for previous 3 months.

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EXTERNAL ECONOMIC INDICATORS

EXPORTS*
f.o.b.

| | Latest Month | Cumulative | | | |
|----------------|--------------|---------------|--------|--------|----------------|
| | | Million US \$ | 1973 | 1972 | Percent Change |
| United States | Sep 73 | 8,448 | 50,810 | 35,809 | 41.1 |
| Japan | Sep 73 | 3,140 | 26,747 | 20,185 | 27.6 |
| West Germany | Sep 73 | 8,208 | 48,009 | 34,034 | 43.6 |
| France | Sep 73 | 3,241 | 26,742 | 19,205 | 39.2 |
| United Kingdom | Sep 73 | 2,584 | 21,220 | 16,738 | 26.8 |
| Italy | Aug 73 | 1,890 | 13,489 | 11,899 | 13.4 |
| Canada | Aug 73 | 1,902 | 15,855 | 12,917 | 22.8 |

EXPORT PRICES

| | Latest Month | Average Annual Growth Rate Since | | | |
|----------------|--------------|------------------------------------|------|----------------|------------------|
| | | Percent Change from Previous Month | 1970 | 1 Year Earlier | 3 Months Earlier |
| United States | Sep 73 | -0.9 | 7.9 | 20.0 | 22.8 |
| Japan | Aug 73 | 2.8 | 12.9 | 24.8 | 30.3 |
| West Germany | Aug 73 | -2.7 | 15.8 | 32.3 | 70.2 |
| France | Jun 73 | 9.2 | 15.5 | 33.7 | 51.5 |
| United Kingdom | Sep 73 | -1.8 | 9.8 | 12.8 | -8.1 |
| Italy | Jun 73 | 2.9 | 9.2 | 12.9 | 22.1 |
| Canada | Jul 73 | 2.7 | 8.2 | 13.1 | 12.0 |

IMPORTS*

f.o.b.

| | Latest Month | Cumulative | | | |
|----------------|--------------|---------------|--------|--------|----------------|
| | | Million US \$ | 1973 | 1972 | Percent Change |
| United States | Sep 73 | 5,575 | 50,458 | 40,879 | 24.0 |
| Japan | Sep 73 | 2,781 | 22,250 | 13,523 | 44.5 |
| West Germany | Sep 73 | 4,435 | 37,245 | 27,805 | 33.9 |
| France | Sep 73 | 3,001 | 25,090 | 18,436 | 39.3 |
| United Kingdom | Sep 73 | 3,018 | 24,429 | 17,941 | 36.2 |
| Italy | Aug 73 | 2,317 | 15,074 | 10,996 | 37.1 |
| Canada | Aug 73 | 1,514 | 14,882 | 12,203 | 22.0 |

EXPORT PRICES

| | Latest Month | Average Annual Growth Rate Since | | | |
|----------------|--------------|------------------------------------|------|----------------|------------------|
| | | Percent Change from Previous Month | 1970 | 1 Year Earlier | 3 Months Earlier |
| United States | Sep 73 | -0.9 | 7.9 | 20.0 | 22.8 |
| Japan | Aug 73 | 3.1 | 2.8 | 9.9 | 39.5 |
| West Germany | Aug 73 | -1.9 | 0.9 | -0.8 | -4.4 |
| France | Jun 73 | 3.8 | 5.8 | 13.1 | 14.8 |
| United Kingdom | Sep 73 | 0.5 | 9.1 | 12.8 | 15.5 |
| Italy | Jun 73 | 2.5 | 6.8 | 13.1 | 28.9 |
| Canada | Jul 73 | 2.8 | 5.1 | 14.8 | 11.8 |

TRADE BALANCE*

f.o.b./f.o.b.

| | Latest Month | Cumulative (Million US \$) | | | |
|----------------|--------------|----------------------------|--------|--------|--------|
| | | Million US \$ | 1973 | 1972 | Change |
| United States | Sep 73 | 873 | 154 | -4,810 | 4,964 |
| Japan | Sep 73 | 359 | 3,498 | 8,881 | -3,165 |
| West Germany | Sep 73 | 1,032 | 11,824 | 6,228 | 5,396 |
| France | Sep 73 | 240 | 1,052 | 769 | 284 |
| United Kingdom | Sep 73 | -434 | -3,204 | -1,203 | -2,001 |
| Italy | Aug 73 | -427 | -1,584 | 903 | -2,488 |
| Canada | Aug 73 | -12 | 974 | 714 | 280 |

IMPORT PRICES

| | Latest Month | Average Annual Growth Rate Since | | | |
|----------------|--------------|------------------------------------|------|----------------|------------------|
| | | Percent Change from Previous Month | 1970 | 1 Year Earlier | 3 Months Earlier |
| United States | Sep 73 | -0.8 | 10.0 | 18.7 | 12.7 |
| Japan | Aug 73 | 3.4 | 2.7 | 14.7 | 29.0 |
| West Germany | Aug 73 | 1.1 | -0.2 | 2.6 | -9.1 |
| France | Jun 73 | 0.8 | 3.1 | 5.8 | 7.3 |
| United Kingdom | Sep 73 | 5.5 | 14.8 | 41.5 | 85.2 |
| Italy | Jun 73 | 4.8 | 10.8 | 24.8 | 54.4 |
| Canada | Jun 73 | 1.1 | 4.8 | 10.8 | 13.4 |

BASIC BALANCE**

Current and Long-Term Capital Transactions

| | Latest Period | Cumulative (Million US \$) | | | |
|----------------|---------------|----------------------------|--------|--------|--------|
| | | Million US \$ | 1973 | 1972 | Change |
| United States* | 73 II | -800 | -1,700 | -5,700 | 4,000 |
| Japan | Aug 73 | -770 | -5,926 | 1,257 | -7,183 |
| West Germany | Jul 73 | 136 | 1,605 | 3,593 | -1,988 |
| France | 73 II | 17 | -559 | -202 | -357 |
| United Kingdom | 73 II | -281 | -1,348 | -830 | -717 |
| Italy | 72 IV | 800 | N.A. | 2,983 | N.A. |
| Canada | 73 I | -272 | -272 | -117 | -155 |

EXCHANGE RATES Spot Rate

| | US \$ Per Unit | Percent Change from | | | |
|---------------------------------|----------------|---------------------|-------|-------|-------|
| | | Dec 66 | 1971 | 1973 | 1973 |
| Japan (Yen) | 0.0036 | 31.79 | 11.98 | -4.39 | -0.03 |
| West Germany (Deutsche Mark) | 0.3885 | 54.53 | 25.20 | 9.71 | -4.94 |
| France (Franc) | 0.2290 | 13.42 | 18.30 | 3.90 | -2.56 |
| United Kingdom (Pound Sterling) | 2.4005 | -13.98 | -7.87 | -2.48 | -1.38 |
| Italy (Lira) | 0.0017 | 8.75 | -0.84 | -3.45 | -2.40 |
| Canada (Dollar) | 1.0020 | 8.83 | 0.42 | 0.43 | -0.24 |

OFFICIAL RESERVES

| | Latest Month | Billion US \$ | | | | |
|----------------|--------------|---------------|---------------|----------|----------------|------------------|
| | | End of | Billion US \$ | Jun 1970 | 1 Year Earlier | 3 Months Earlier |
| United States | Sep 73 | 14.0 | 16.3 | 13.2 | 14.0 | |
| Japan | Oct 73 | 14.0 | 4.1 | 17.8 | 15.2 | |
| West Germany | Aug 73 | 37.9 | 8.8 | 24.8 | 32.2 | |
| France | Sep 73 | 9.9 | 4.4 | 10.0 | 10.2 | |
| United Kingdom | Oct 73 | 6.8 | 2.8 | 5.9 | 6.6 | |
| Italy | Sep 73 | 8.5 | 4.7 | 8.4 | 8.0 | |
| Canada | Oct 73 | 5.8 | 4.3 | 8.2 | 5.8 | |

TRADE-WEIGHTED EXCHANGE RATES***

| | Dec 66 | Percent Change from | | |
|----------------|--------|---------------------|-------|-------|
| | | 1971 | 1973 | 1973 |
| United States | -17.22 | -7.79 | -1.07 | 1.27 |
| Japan | 19.87 | 8.00 | -5.97 | 0.85 |
| West Germany | 28.12 | 11.28 | 8.28 | -2.81 |
| France | -10.91 | 2.26 | -0.17 | 0.39 |
| United Kingdom | -34.28 | -20.15 | -5.78 | 0.50 |
| Italy | -18.49 | -15.31 | -8.49 | 0.44 |
| Canada | 5.25 | -1.31 | 0.33 | 0.17 |

*Seasonally adjusted.

**Converted into US dollars at current market rates of exchange.
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***Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange-rate variations among the major currencies.